

Message Text

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ACTION NEA-10

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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 1735

AMEMBASSY CAIRO

UNCLAS JIDDA 4728

E.O. 11652: N/A

TAGS: EFIN, SA, EG

SUBJECT: SAUDI/EGYPTIAN JOINT VENTURES

1. EMBASSY HAS NOW SEEN FORMAL TEXT OF ROYAL DECREES
ESTABLISHING TWO JOINT VENTURES WITH EGYPT UNDER THE DEPUTY
PRIME MINISTER. THESE ARE:

A) SAUDI/EGYPTIAN INDUSTRIAL INVESTMENT COMPANY. COMPANY
WILL BE CAPITALIZED AT \$100 MILLION. EACH COUNTRY WILL OWN
50 PERCENT, AND THE SAUDIS WILL MAKE ANOTHER \$300 MILLION IN
LOANS AVAILABLE TO THE COMPANY.

B) THE SAUDI/EGYPTIAN RECONSTRUCTION COMPANY. OWNERSHIP AGAIN
50 PERCENT; TOTAL CAPITAL \$50 MILLION WITH 100 MILLION IN
SAUDI LOANS PROMISED.

2. EGYPTIANS WILL PAY IN THEIR SHARE OF THE CAPITAL IN
EGYPTIAN POUNDS. SAUDIS WILL PAY IN DOLLARS.

3. COINCIDENTALLY, WE HAVE NOTICED TWO PRIVATE CORPORATIONS
HAVE BEEN FORMED. THESE ARE

A) ARAB INDUSTRIAL INVESTMENT COMPANY. THIS COMPANY
WILL UNDERTAKE PLANNING, IMPLEMENTING AND MANAGING A NUMBER
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OF JOINT VENTURE PROJECTS IN EGYPT AND SAUDI ARABIA.

COMPANY IS SAID TO BE CAPITALIZED AT \$25 MILLION, OF WHICH 60 PERCENT WILL BE SAUDI OWNED (REPORTEDLY TRIAD AND ARAB PROJECTS COMPANY) AND 40 PERCENT BY SHAMS (SUN) DEVELOPMENT AND CONSTRUCTION COMPANY (SIC). ONE PROJECT REPORTEDLY UNDERWAY IS A TOURIST ENTERPRISE COSTING \$300 MILLION NEAR THE PYRAMIDS. A PERMANENT INTERNATIONAL TRADE CENTER COSTING \$400 MILLION IS ALSO MENTIONED.

B) THE ARAB RECONSTRUCTION COMPANY. THIS COMPANY WILL REPORTEDLY UTILIZE SAUDI CAPITAL AND EGYPTIAN HUMAN AND FINANCIAL CAPITAL IN HOUSING, CONSTRUCTION AND TOURIST PROJECTS UNDER THE EGYPTIAN LAW ON ARAB AND FOREIGN INVESTMENT.

4. IT IS, OF COURSE, CONCEIVABLE THAT THE NAMES OF THESE FOUR NEW COMPANIES JUST HAPPENED TO TURN OUT TO BE SO SIMILAR. WE RATHER BELIEVE, HOWEVER, THAT SOMEONE MAY BE COUNTING ON THE OFT-ENCOUNTERED PROBLEM OF TRANSLATION TO FURTHER THEIR OWN PERSONAL INTERESTS.
HORAN

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